
**Financial
Assessment
Measures**

Three primary ratios should be reviewed as part of the re-qualification review. The three primary ratios will be analyzed to determine if a provider will require a corrective action plan for the fiscal year being reviewed.

The ratios will be compared to the established thresholds for provider conformance. Six supplementary ratios are also provided and should be reviewed for those providers that have border-line acceptable/unacceptable thresholds.

The PPA will review the primary ratios results for conformance with the following standards:

- Current Ratio: > 1.0
- Days Working Capital: > 10 Days
- Operating Margin: > (5) % Loss

Note: If after reviewing the three primary ratios a provider is found to be in non conformance with the established thresholds, a CAP should be initiated by the PPA.

Term	Definition
Current Ratio	<p>This ratio is one of the most widely used financial measures of a company's liquidity, in other words, the organization pays its current liabilities.</p> <p>Generally the higher the ratio the greater the "cushion" between current obligations and the company's ability to pay for them.</p> <p>Formula: Total Current Assets (Line 11, SOP) / Total Current Liabilities (Line 26, SOP)</p>
Days in Cash	<p>Expressed as the number of days that operating cash can be met with available cash and investments. And values above median are favorable.</p> <p>Formula: (Cash & Cash Equivalents (Line 1, SOP) * 365) / (Total Expenses & Losses (Line 19, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE))</p>
Days in Working Capital	<p>Formula: (Total Current Assets (Line 11, SOP) less Total Current Liabilities (Line 26, SOP)) * 365 / (Total Expenses (Line 17, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE))</p>

Term	Definition
Days in Payables	Formula: (Total Current Liabilities (Line 26, SOP) Less Deferred Revenues (Line 24, SOP) *365) / Total Expenses & Losses (Line 19, SOA) less Total Depreciation of Buildings and Equipment (Line 7, SFE)
Long-Term Debt to Net Assets	Formula: Long-Term Notes & Mortgage Payable (Line 27, SOP) / Total Net Assets (Line 34, SOP)
Days in Receivable	Formula: (Net Accounts Receivable, Program Services (Line 4, SOP) * 365) / Program Service Fees (Line 4, SOA)
Total Margin	Formula: (Total Revenue, Gains, & Other Support (Line 13, SOA) less Total Expenses & Losses (Line 19, SOA)) / Total Revenue, Gains and Other Support (Line 13, SOA)
Operating Margin	Formula: (Total Revenue, Gains, and Other Support (Line 13, SOA) less Total Expenses (Line 17, SOA) / Total Revenue, Gains and Other Support (Line 13, SOA)
Operating Cash Flow to Current Liabilities	Formula: Cash Flow from Operations (Line 14, SCF) / Total Current Liabilities (Line 26, SOP)